



# *Auditor of State*

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**TO: COUNTY AUDITORS**

**FROM: DAN BASTIN  
SETTLEMENT DIRECTOR**

**DATE: JUNE 8, 2000**

**SUBJECT: STATE WELFARE EXCISE TAX ALLOCATION**

**\*CORRECTION TO MAY 16, 2000 MEMORANDUM\***

**\* IMPORTANT MUST READ \***

**There is an error with the State Welfare Excise Tax Allocation formula that was provided in the May 16, 2000 State Welfare Excise Tax Allocation memorandum. The error is in Step Three of the formula. Step Three of that formula has you divide the Step Two results by three. Do not divide the Step Two results by three. The Step Two percentage will be the percentage used to determine the state welfare allocation of excise tax.**

If you have used the May 16, 2000 formula to calculate the state welfare excise tax allocation for this June Settlement, then you can either recalculate the allocation using the formula provided in this memorandum, or adjust the state welfare excise tax allocation at December Settlement. I suggest that you recalculate the allocation at this time, but if you decide to adjust the state welfare excise tax allocation at December Settlement we will help you with calculating the adjustment.

Section 59 Public Law 273 Acts of 1999 requires beginning with this June 2000 Settlement and at each future June and December Settlement a state welfare allocation of excise tax be made before excise tax distributions are calculated. The state welfare allocation of excise tax **must** be deducted from the excise tax to be distributed at the settlement **before** the excise tax distributions are calculated. The state welfare allocation of excise tax **must** be sent to the Auditor of State's Office at each settlement to be deposited in the state welfare account of the state general fund.

The state welfare allocation is to be calculated by taxing district and is equal to the three-year average of excise tax that the county welfare fund and the welfare administration fund received for the years 1997, 1998 and 1999.

The state welfare allocation percentage is calculated for each taxing district as follows:

### Step One:

Total for each taxing district the 1997, 1998 and 1999 welfare administration fund rates, county welfare fund rates and total taxing district rates, illustrated as follows:

#### Taxing District A:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Total</u>
Welfare Administration Fund Tax Rate	.0445	.0443	.0445	
County Welfare Fund Tax Rate	.0146	.0025	.0000	
Total Welfare Admin & Co Welfare Rates	.0591	.0468	.0445	.1504
Total Taxing District Rate	6.45	5.85	6.10	18.40

#### Taxing District B:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Total</u>
Welfare Administration Fund Tax Rate	.0445	.0443	.0445	
County Welfare Fund Tax Rate	.0146	.0025	.0000	
Total Welfare Admin & Co Welfare Rates	.0591	.0468	.0445	.1504
Total Taxing District Rate	7.60	7.70	8.75	24.05

### Step Two:

For each taxing district divide the three-year total of the welfare administration fund and county welfare fund tax rates by the three-year total of the taxing district rates, illustrated as follows:

#### Taxing District A:

$$.1504 \div 18.40 = .008174$$

This calculation should be at least six decimal places.

#### Taxing District B:

$$.1504 \div 24.05 = .006254$$

This calculation should be at least six decimal places.

**The taxing district percentages that are calculated in Step Two are the taxing district percentages that will be used at every settlement to determine the state welfare allocation of excise tax.**

### **Step Three:**

For each taxing district calculate the state welfare allocation of excise tax by multiplying the results of step two times each taxing district's total excise tax to be distributed at settlement, illustrated as follows:

#### **Taxing District A:**

Total excise tax for distribution	\$100,000.00
Taxing District A Step Two %	x .008174
Taxing District A State Welfare Excise Tax Allocation	\$817.40

#### **Taxing District B:**

Total excise tax for distribution	\$150,000.00
Taxing District B Step Two %	x .006254
Taxing District B State Welfare Excise Tax Allocation	\$938.10

### **Step Four:**

Total all taxing district's state welfare excise tax allocations and send the total to the Auditor of State's Office, illustrated as follows:

In this example there are only two taxing districts in the county:

Taxing District A State Welfare Excise Tax Allocation	\$817.40
Taxing District B State Welfare Excise Tax Allocation	<u>938.10</u>
Total State Welfare Excise Tax Allocation	\$1,755.50

The total state welfare excise tax allocation **must** be sent each June and December Settlement to the Auditor of State's settlement director. The total state welfare excise tax allocation **must** be remitted on a warrant separate from the warrant sent for the remittance of property and excise tax due state funds.

To administer the remittance of the state welfare excise tax allocation I suggest that a State Welfare Excise Tax Allocation Fund be established. At each settlement quietus from the treasurer's excise tax account to the State Welfare Excise Tax Allocation Fund the allocation to be sent to the state. Then from State Welfare Excise Tax Allocation Fund write a warrant payable to the Treasurer of State for the amount of the allocation and send the warrant to the Auditor of State..

The state welfare excise tax allocation is **not** to be included on apportionment sheets, the treasurer's certificate of tax collections, or the settlement sheet.

### **Step Five:**

Before the funds breakdown of excise tax is calculated for each taxing district the state welfare excise tax allocation must be deducted from the taxing district's total excise tax for distribution, illustrated as follows:

#### **Taxing District A:**

Total Excise Tax for Distribution	\$100,000.00
Less: State Welfare Excise Tax Allocation	<u>- 817.40</u>
Excise Tax to be distributed to the funds of Taxing District A	\$99,182.60

The \$99,182.60 is the amount of excise tax that will be allocated to the funds of Taxing District A. The allocation of the \$99,182.60 will be based on the property tax rates of the funds of Taxing District A. The \$99,182.60 is the amount of excise tax that will be reported on Taxing District A's apportionment sheet and will be the amount of excise tax entered on the treasurer's certificate of tax collections for Taxing District A.

#### **Taxing District B:**

Total Excise Tax for Distribution	\$150,000.00
Less: State Welfare Excise Tax Allocation	<u>- 938.10</u>
Excise Tax to be distributed to the funds of Taxing District B	\$149,061.90

The \$149,061.90 is the amount of excise tax that will be allocated to the funds of Taxing District B. The allocation of the \$149,061.90 will be based on the property tax rates of the funds of Taxing District B. The \$149,061.90 is the amount of excise tax that will be reported on Taxing District B's apportionment sheet and will be the amount of excise tax entered on the treasurer's certificate of tax collections for Taxing District B.

In this example of a county with only two taxing districts the total of Taxing District A's \$99,182.60 and Taxing District B's \$149,061.90 or \$248,244.50 is the amount of excise tax that will be reported on the Settlement Sheet.